

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 10756 052209Z

12

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03

SS-15 USIA-15 ACDA-19 IO-15 AID-20 COME-00 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 CEA-02 DRC-01 /215 W
----- 028361

R 051722Z OCT 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1180

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMCONSUL MILAN

LIMITED OFFICIAL USE ROME 10756

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

PASS TREASURY AND FRB

1. SUMMARY. ITALIAN CUMULATIVE 1973 BALANCE OF
PAYMENTS DEFICIT THROUGH SEPTEMBER 15 WAS \$597 MILLION.
DEFICIT WOULD HAVE BEEN FAR GREATER IN ABSENCE OF VERY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 10756 052209Z

LARGE EUROMARKET BORROWINGS. EXCHANGE MARKET FOR

LIRA FAIRLY CALM AT PRESENT, BUT BOI LOST CONSIDERABLE RESERVES IN SUPPORT OF LIRA, AT LEAST THROUGH FIRST HALF OF SEPTEMBER. HEAD OF BOI FOREIGN EXCHANGE OPERATIONS HINTED THAT EC CENTRAL BANKS MAY BE ABOUT TO AGREE ON SCHEME FOR INTRA-EC GOLD SETTLEMENT ARRANGEMENTS IN COMING WEEKS. END SUMMARY.

2. PROVISIONAL MONETARY MOVEMENTS SHOW DEFICIT FOR FIRST 15 DAYS OF SEPTEMBER OF \$125 MILLION. DURING PERIOD NET OFFICIAL RESERVES DECLINED BY \$341 MILLION, WHILE COMMERCIAL BANKS REDUCED THEIR NET SHORT-TERM LIABILITIES BY \$216 MILLION. AS RESULT OF THESE RECENT REPAYMENTS OF SHORT-TERM DEBT, BANKS' NET NEGATIVE POSITION IS NOW ONLY SLIGHTLY HIGHER THAN AT END-1972.

3. BOI WAS QUITE ACTIVE IN SUPPORTING LIRA IN FIRST HALF OF SEPTEMBER AND PROBABLY FOR BRIEF PERIOD THEREAFTER UNTIL MARKET CALMED DOWN FOLLOWING REVALUATION OF DUTCH GUILDER. HEAD OF FOREIGN EXCHANGE OPERATION, ERCOLANI, SAID THAT ENTIRE PROCEEDS OF \$500 MILLION FROM CCOP EUROMARKET LOAN FOR CITY OF VENICE HAD BEEN RECEIVED BY END-SEPTEMBER. THUS, THERE WAS MODEST OVERALL SURPLUS FOR ENTIRE MONTH. HE ALSO SAID THAT PROCEEDS FROM \$200 MILLION STATE RAILWAYS LOAN WOULD PROBABLY BE RECEIVED IN TWO TRANCHES OF \$100 MILLION EACH IN OCTOBER AND NOVEMBER.

4. ALTHOUGH CUMULATIVE BALANCE OF PAYMENTS DEFICIT WAS ONLY \$597 MILLION THROUGH MID-SEPTEMBER, COMPENSATORY EUROMARKET BORROWINGS BY STATE ENTITIES (IMI, ICIPU, ENEL, CCOP AND MEDIOBANCA) AMOUNTED TO \$2,633 MILLION. IN ABSENCE OF SUCH BORROWING, DEFICIT WOULD HAVE BEEN \$3,230 MILLION. LATER FIGURE GIVES SOME IDEA OF EXTENT TO WHICH ITALIAN MONETARY AUTHORITIES HAVE ATTEMPTED TO KEEP LIRA FROM DEPRECIATING FURTHER, ESPECIALLY AGAINST OTHER EC CURRENCIES. WHEN ASKED IF ITALY'S EC PARTNERS WERE APPRECIATIVE OF ITALIAN EFFORT TO MAINTAIN LIRA AT RELATIVELY CONSISTENT RELATIONSHIP TO EC CURRENCIES, ERCOLANI SAID THAT ITALY WAS NOT NOW UNDER PRESSURE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 10756 052209Z

TO REJOIN EC SNAKE. HE COMMENTED FAVORABLY ON RECENT STATEMENT BY FRG ECONOMIC MINISTER SCHMIDT CONCERNING POSSIBLE INCREASE IN WIDTH OF EC MARGINS.

5. ERCOLANI ACKNOWLEDGED THAT BOI SHORT-TERM DEBT TO DANISH CENTRAL BANK ARISING FROM EC SWAPS EARLIER THIS YEAR HAD BEEN PAID OFF ON SCHEDULE AT END-SEPTEMBER. (APPARENTLY TOTAL OF \$52 MILLION DUE TO

DENMARK AND BELGIUM WAS REPAID IN SEPTEMBER.) HE DID NOT KNOW YET WHAT WOULD HAPPEN TO REMAINING \$249 MILLION IN SWAPS WITH BELGIAN CENTRAL BANK WHEN THEY FALL DUE AT END-NOVEMBER. WHEN ASKED ABOUT PRESS REPORTS THAT EC CENTRAL BANKS MIGHT SHORTLY REACH AGREEMENT ON UNFREEZING GOLD SO AS TO PERMIT INTRA-EC SETTLEMENTS IN GOLD, ERCOLANI IMPLIED THAT SOMETHING OF THIS SORT MIGHT BE IN THE WIND.

6. COMMERCIAL LIRA EXCHANGE RATE AND, TO LESSER EXTENT, FINANCIAL LIRA RATE HAVE REMAINED QUITE STEADY IN PAST MONTH OR SO. AVERAGE COMMERCIAL RATE OCTOBER 5 WAS 565.00 LIRE PER DOLLAR AND AVERAGE FINANCIAL RATE WAS 594.25. STABILITY OF RATES SINCE SEPTEMBER 1 CAN BE SEEN FROM FACT THAT AVERAGE COMMERCIAL RATE WAS VARIED ONLY IN NARROW RANGE OF 562-567, WHILE FINANCIAL RATE WAS VARIED IN RANGE OF 586-601. ON OCTOBER 4 THREE-MONTH FORWARD RATE FOR FINANCIAL LIRA WAS 598.25 LIRE PER DOLLAR. DECONTROL 12/31/77

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, GOLD, FOREIGN EXCHANGE RATES, COMMERCIAL BANKS, LIRA, BALANCE OF PAYMENTS DEFICITS, EURODOLLAR MARKET, REVALUATIONS, LOANS, RAILROADS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ROME10756
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731047/aaaabiqc.tel
Line Count: 135
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Sep-2001 by kelleyw0>; APPROVED <20-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN EXCHANGE MARKET DEVELOPMENTS PASS TREASURY AND FRB
TAGS: EFIN, IT, BE, DA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005